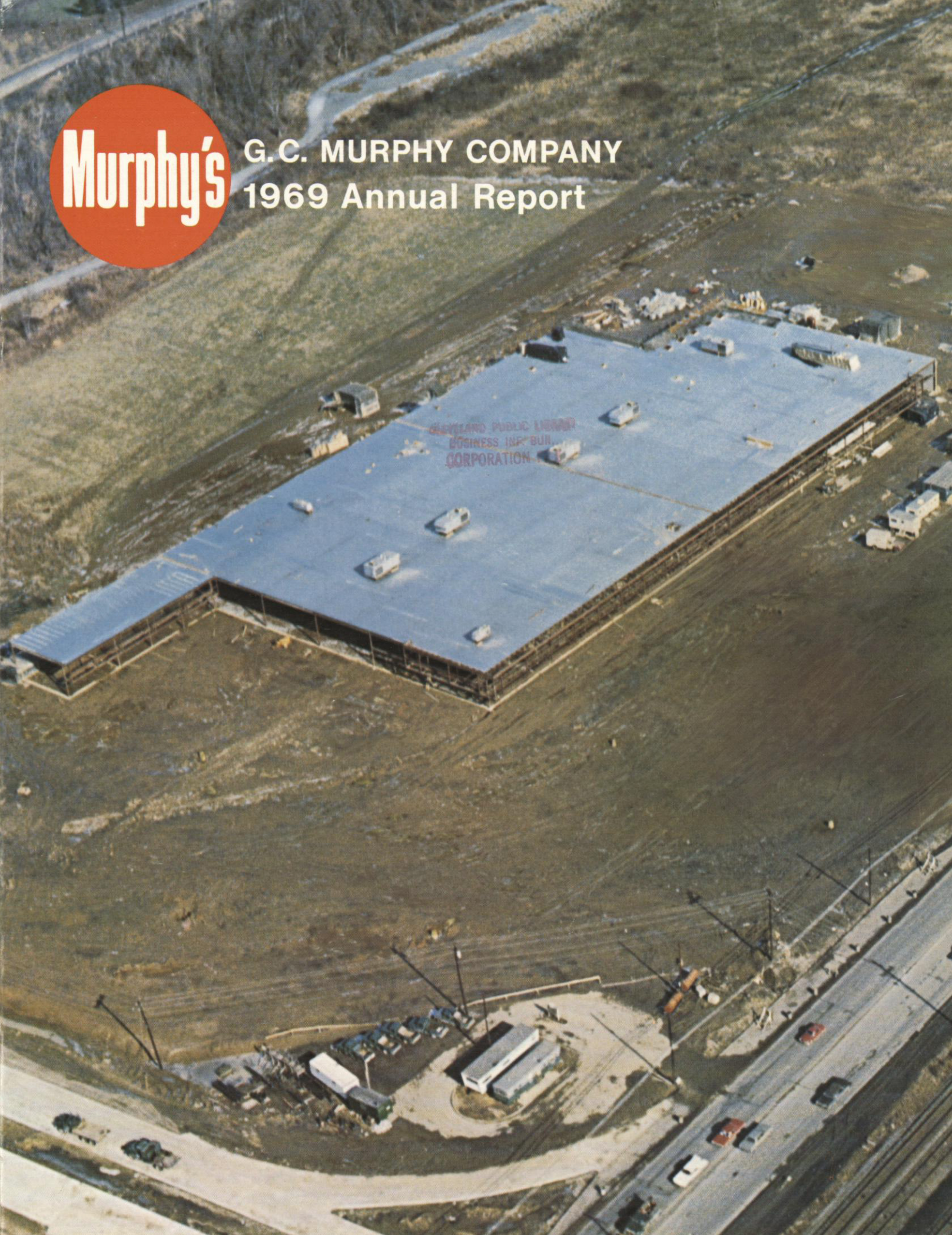




Murphy's

**G.C. MURPHY COMPANY
1969 Annual Report**

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CORPORATION

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The cover photo, taken in late January, shows the expansive 106,000 square-foot building under construction to house our first free-standing Murphy's Mart. It is located on a 12-acre tract in Harmar Township, west of Pittsburgh, Pa., on Route 28, near the Allegheny Valley Interchange of the Pennsylvania Turnpike. Pages 10 and 11 portray the finished one-stop shopping complex which will include the Murphy store and cafeteria and, as leased operations, a food supermarket, auto service center and bank.

A 23-acre site (above), including a 151,000 square-foot building for a new Murphy's Mart, was purchased in Bethel Park, Pa. Existing buildings on the tract house a greenhouse and garden shop, automotive service, drive-in food service and bank. A food supermarket, dry cleaning shop, beauty salon, barber shop, cocktail lounge and restaurant will supplement the Murphy operation in the main building.

This Report emphasizes the merchandise items, lines and services which have been developed for customers through proven experience. These operating features will continue to be expanded to provide shoppers with greater depth of highly-competitive, discount price ranges and broadened selections in Murphy's Marts.



G. C. MURPHY COMPANY

1969 Report

Highlights

	1969	1968
Sales	\$379 157 310	\$355 699 080
Number of Stores at Year End	517	512
Average Sales Per Store	\$733 380	\$694 725
Employees' Compensation and Other Benefits	\$79 325 062	\$76 031 192
Earnings Before Federal Income Taxes	\$16 714 700	\$16 160 408
Net Earnings	\$8 309 700	\$8 045 408
Earnings Per Share	\$2.05	\$1.96
Dividends Per Share	\$1.20	\$1.20
Cash Flow Per Share	\$3.54	\$3.13
Total Taxes	\$14 938 519	\$14 017 654
Taxes Per Share	\$3.69	\$3.41
Net Additions to Property and Equipment	\$12 306 917	\$8 170 310
Working Capital	\$71 938 650	\$47 184 911
Current Ratio	3.32 to 1	2.25 to 1
Book Value Per Share	\$25.39	\$24.65
Ratio of Net Earnings to Invested Capital	8.1%	7.9%

Annual Meeting: The Annual Meeting of Common Shareholders will be held at the registered office of the Corporation, 531 Fifth Avenue, McKeesport, Pennsylvania, at 11:00 A.M., on Tuesday, April 14, 1970.

Notice of meeting, proxy statement, proxy and return envelope are enclosed with this report.

Board of Directors

KENNETH T. PAXTON
EDGAR L. PAXTON
EARL F. McCLUNE
CARL F. SCHATZ
W. FRED GREENLEAF
WALTER C. SHAW, JR.
J. CLARENCE KELLY
THOMAS N. GRIGGS
REED H. ALBIG

Officers

KENNETH T. PAXTON
*Chairman of the Board and
Senior Vice President—Personnel*

EDGAR L. PAXTON
President

EARL F. McCLUNE
*Senior Vice President—
Real Estate and Construction*

CARL F. SCHATZ
Senior Vice President—Finance

W. FRED GREENLEAF
Senior Vice President—Merchandise

S. WARNE ROBINSON
Vice President and Treasurer

WILLIAM S. THOMSON
Vice President and Secretary

A. RALPH BARLOW
Vice President—Construction

JUDSON M. ELLIS, JR.
Vice President—Real Estate

W. RAY GREENFIELD
Vice President—Sales Manager

EDWARD G. PROCIOUS
*Vice President—Director Employee,
Public and Labor Relations*

WILLARD H. SWEET
Vice President—Director Personnel

WILLIAM T. WITHERS
Assistant Vice President—Merchandise

CHARLES F. GLEESON
*Assistant Vice President—
Director Advertising and Promotion*

EUGENE A. GRISSINGER
*Assistant Vice President—
Director Store Planning*

DELBERT I. GOSSETT
Assistant to the President

FRANK G. CRISPEN
*Auditor, Assistant Treasurer and
Assistant Secretary*

ROBERT T. MESSNER
Assistant Secretary



W. FRED GREENLEAF WALTER C. SHAW, JR.



KENNETH T. PAXTON EDGAR L. PAXTON



REED H. ALBIG EARL F. McCLUNE J. CLARENCE KELLY



THOMAS N. GRIGGS WILLIAM S. THOMSON



CARL F. SCHATZ

**To Our Shareholders
and Co-Workers:**

Our progress in 1969 was encouraging but did not meet our projections.

Sales set a new all-time record and increased 6.6% to \$379,157,310. Earnings per share were up 4.6%, from \$1.96 to \$2.05.

These results were accomplished under such adverse conditions as continued governmental efforts to "cool off" inflationary trends, extension of the 10% federal surtax, elimination of the investment tax credit, rising costs of merchandise and operations, higher financing costs, disruption of our normal McKeesport Warehouse operation by a wildcat strike early in the year and curtailment of new store locations because of higher costs and delays encountered by developers.

Reduced sales gains for the fourth quarter were about offset by additional sales from the opening of 7 new stores in that period. Higher Pennsylvania corporate taxes enacted in December, but retroactive for the entire year, affected earnings adversely for the last 3 months and the year.

At the end of the year 517 stores, including 167 restaurants and snack bars, were in operation. Sixteen new stores and one temporarily closed were opened. Nine were closed and 3 damaged by hurricane or fire were out of operation temporarily. Fourteen new locations optioned one year ago, for opening in 1969, were either delayed or abandoned because developers were unable to proceed as planned.

Our first 2 free-standing Murphy's Marts are scheduled for opening this summer. Harmar Township's 106,000 square-foot building (pictured on the cover and portrayed on Pages 10 and 11) is under construction. Bethel Park's existing 151,000 square-foot building, with additional facilities on the 23-acre plot (see inside front cover), was purchased and is now being renovated and fixtured. These are 2 of a total of 40 new locations presently under construction, lease or option to add about 15% to existing

selling area. Subject to developers' delays, 23 of these stores are scheduled for 1970 opening and should add about 9% to present selling area. Experience from operation of larger A-A stores has been invaluable in planning the new Murphy's Marts. Our projections include additional free-standing units and 12 A-A stores, with restaurant facilities, but do not overlook the profit potential in existing and other new units.

Our merchandising and promotion plans, including higher-ticket items and customer credit, are designed to emphasize mass merchandising as well as quality fashion and service to the shopper. Management personnel has been strengthened and expanded, and is in sufficient depth to carry out our program.

Three-year loans, totaling \$30,000,000, were made from banks in November. These funds, with others generated from operations, will be used to finance our accelerated expansion aims. With our strong financial position, your management considers this action more favorable for Shareholders than the use at this time of any of the authorized Preferred Stock or other means of financing.

There is evidence that restrictive government and monetary policies have begun to curtail excessive inflation, causing higher-income groups to turn to the mass retailers for better values. On the other hand, spendable income will increase from lower income taxes, higher social security benefits and rising individual incomes. All these factors create opportunities to be exploited through the flexibility of our type of retailing and merchandise assortments as customers become more selective for competitive values.

With appreciation to our customers and the continued co-operation of our suppliers, the dedication of our co-workers and the support of our Shareholders, we approach the challenge of the future with optimistic confidence.



K. T. Paxton
Chairman of the Board



E. L. Paxton
President

March 9, 1970

Financial

A 6.6% increase boosted sales for the year to a record \$379,157,310. Average sales per store also reached a new high of \$733,380 which was an improvement of \$38,655 over the previous year. A net addition of 5 units brought the number of stores in operation at year end to 517. Improvement of \$2.23 attained in sales per square foot of selling area increased the year's production to \$55.10.

Net earnings of \$8,309,700 for the year were \$264,292 more than in 1968. Based on the average number of shares of Common Stock outstanding, net earnings per share were \$2.05. This was a \$.09 or 4.6% gain over 1968 and the second highest per share earnings in the last 10 years. Provision for federal income taxes of \$8,405,000 reflected extension of the surtax and elimination of the investment credit, and was an increase of \$290,000 over the previous year.

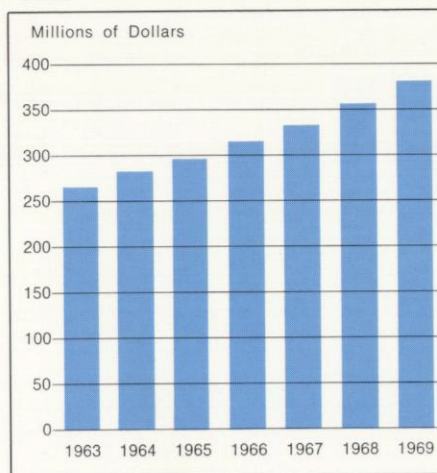
Earnings before federal income taxes were \$16,714,700, an improvement of 3.4% over the \$16,160,408 earned in 1968. Affecting 1969 results adversely was the retroactive increase in Pennsylvania business taxes. This included a 60% increase in the income tax rate which was particularly unfavorable because of the heavy concentration of stores and services in the state.

Net additions to property and equipment of \$12,306,917 were 50.6% above those in 1968 and were the largest outlay for store expansion in any one year in the Company's history. The cash flow from operating sources of \$14,349,282 was equal to \$3.54 per share compared with \$3.13 in the prior year. Cash flow was augmented by bank borrowings of \$30,000,000 and the assumption of a mortgage on property acquired for a Murphy's Mart. The tabulation on the opposite page sets forth the principal sources and application of funds and the resulting increase in working capital of \$24,753,739 at year end.

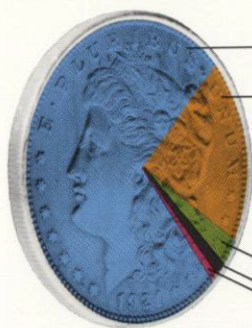
Current ratio of 3.32 to 1 compares favorably with the December 31, 1968 position of 2.25 to 1.

Year-end inventories of \$69,868,611, an increase of but 2.6%, reflect the efforts made to improve merchandise turnover,

Sales



How the Sales Dollar Was Used



lessen carrying cost and permit more funds to flow into the accelerated expansion program.

The Common Stock book value per share improved by \$.74 to \$25.39.

Dividends and Shareholders

Quarterly payments of 30¢ per share on March 1, June 2, September 2 and December 1 made the total dividend \$1.20 in 1969, our 57th consecutive year of dividend payments to Shareholders.

Acquisition by the Company of an additional 90,000 shares during the year brought total Treasury Stock to 237,000 shares and reduced the number of shares outstanding to 4,022,000 at the year end. None of the authorized Preferred Stock has been issued.

Among our 18,700 Shareholders, located in all states and several foreign countries, are 4,985 employees and members of their families.

Organization Changes

Advancement of certain members of our management team is reflected in the list of Officers on Page 2. Effective January 1, 1970, 4 Vice Presidents were elevated to Senior Vice Presidents of Personnel, Real Estate and Construction, Finance and Merchandise, respectively; 7 Assistant Vice Presidents were advanced to Vice President positions; and 2 new Assistant Vice Presidents were elected, with responsibilities for store planning and for advertising and promotion, respectively.

These changes, and numerous additional advancements within operating divisions, assure in-depth leadership to accomplish our planned objectives.

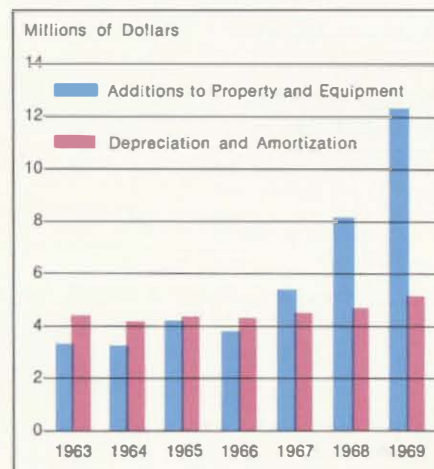
Customer Services

Protection for the consumer has long been of primary concern to our Company and led to the organization of our Research and Development Department in 1933. Our research specialists continue to work with suppliers and consumer representatives to further improve quality of merchandise. They also develop informative packaging and labeling to describe the product adequately and to assure the customer of

Earnings Per Share



Additions to Property and Equipment; Depreciation and Amortization



Source and Application of Funds

	1969	1968
Source of funds:		
Net earnings	\$ 8 309 700	\$ 8 045 408
Depreciation and amortization ...	5 030 582	4 692 244
Deferred federal taxes	1 009 000	113 000
Total from operating sources (cash flow)	14 349 282	12 850 652
Long-term debt	32 422 340	—
Total funds provided	46 771 622	12 850 652
Application of funds:		
Dividends	4 862 400	4 934 400
Added to property and equipment	12 306 917	8 170 310
Treasury stock purchased	2 652 429	—
Other uses	2 196 137	924 442
Total funds applied	22 017 883	14 029 152
Increase (decrease) in working capital	\$24 753 739	\$ (1 178 500)

top-value dependable products. This program is especially significant in relation to Murphy's own private brand items, which now account for 22% of our total sales and are expected to increase to 50% within 5 years.

To further protect our customers, our "Satisfaction Guaranteed" policy assures refund or replacement in case of returned merchandise and Prompt Replacement Service applies to many mechanical and appliance items.

In-store personal interviews and expansion of our Consumer Forum and Opinion Panels guide us in providing merchandise selections and ranges preferred by customers in each community we serve.

Charge Credit Plans

Charge purchases by customers continue to increase as a percentage of total sales, 1969 charge sales being double those in 1968. Customer credit is now available in almost all stores and, for most of our locations, has been consolidated into 2 bank-administered plans, Master Charge and BankAmericard. An additional Murphy credit plan, using a G. C. Murphy charge card and bank-operated, will soon be available for customers in the Western Pennsylvania area. This plan will be of interest to shoppers in our new Murphy's Marts and will be extended to other areas.

Under these bank plans, there is no charge to the customer if payment is made to the bank within 25 to 30 days; funds from credit sales are received immediately; and the bank has complete responsibility for collection of the account, without risk to our Company.

Advertising and Promotion

More effective use of advertising and promotion budgets, increased 10% for 1970, is being realized by development of area radio and TV programs where our stores are concentrated, such as Western Pennsylvania, Indianapolis, Baltimore and Washington, D.C. Such programs, particularly on TV, will be even more effective as new Murphy's Marts begin to operate in a given area. Expanded newspaper and circular advertising continue to keep customers informed of the many values available in the communities we serve, such media covering regular day-to-day values, plus special values offered during numerous sales throughout the year.

Young swingers look to Murphy's—

Mother knows she can depend on Murphy's for complete quality assortments of up-to-the-minute children's fashion apparel. Selections are updated constantly by deliveries from our Jersey City Fashion Center.



Our modern homemaker will find additional furnishings and housewares in adjacent store areas to complement her furniture selection





To help customers enjoy suburban living—

A multi-use riding mower from our Garden Shop means a well-groomed lawn and more leisure time to relax in suburbia



Assortments of colorful rugs to aid the home decorator



Dress and leisure footwear for dad and the whole family



Robes and other fashionable women's apparel for the discriminating shopper



Competitively-priced tires and other auto accessories increase driving pleasure

Murphy's Marts

A free-standing, one-stop Murphy shopping complex to meet the demands of today's, and tomorrow's, customers for mass merchandising of quality, higher-ticket assortments at competitive-discount prices,—this is the pattern for the new Murphy's Mart.

As this type of operation expands to better serve our customers, it will reflect improvement in sales and profit production per square foot of space and return on investment.

The first 2 Marts, both near Pittsburgh, Pa., will open this summer. Additional similar units are being negotiated.

Our early Murphy's Marts will be located in regions where the Company's name and reputation already are known and accepted, as shown by customer patronage in existing stores. This pattern will minimize transportation and improve productivity from advertising and other costs. These units will be discount stores to the extent that they will meet or beat competitive pricing in their various areas.

The nature of these free-standing Marts is not completely new. Merchandising, display, promotion, credit, personnel, check-out and other plans, successful in existing Murphy A-A and other competitive stores, have been expanded, refined and improved for application to these larger operations.

Murphy's Marts are designed, including restyled fixtures, for maximum customer shopping ease. Merchandise lines will be displayed in 13 streamlined and related groups, according to natural shopping habits. Restaurant service will also be included.

Giving particular consideration to the youthful shopper, the growing number of young families and increased demands for leisure time and recreation items, these stores will be stocked to meet the wants of all members of the family. The physical setup permits bulk sales of various seasonal items on the property, outside of the store itself, thereby eliminating costs such as handling and in-store resetting of merchandise and displays.

The size of these stores enables us to expand merchandise assortments to include higher-ticket lines and allots 20 to 25% of space for promotional items, which have been tested successfully in A-A stores and in our catalog operation. Such merchandise





Murphy's

GIANT EAGLE

Murphy's
MART

GIANT EAGLE

AUTO SERVICE

WESTERN PENNSYLVANIA
NATIONAL BANK





is especially attractive to customers when they know a purchase may be made on available credit.

Another attraction of the Marts is ease of parking. Expansive parking facilities enable the customer to get close to the store and to take advantage of store platform pickup for large items. Delivery service will also be provided.

For "one-stop" shopping convenience, Murphy's own operation is complemented by food supermarkets, auto service centers, banking and other selected facilities.

Expansion and Improvements

Net additions to property and equipment increased to \$12,306,917 in 1969 from \$8,170,310 in 1968.

Sixteen new stores were opened in shopping centers (*A-A units):

Murphy stores in Indiana, McKees Rocks, *Monroeville and *York, Pa.; *Fort Wayne, Ind.; Ashland, Ky.; *Okemos, Mich.; and *Marion, O.

Morgan & Lindsey stores in Baton Rouge, Franklin, Natchitoches and Ruston, La.; and Forest and Starkville, Miss.

Terry Farris stores in Alice and San Antonio, Tex.

Arlington, Va., closed temporarily by fire, was reopened.

Selling area was added to the Morgan & Lindsey store in Bunkie, La. and to Murphy stores in St. Marys and Waynesburg, Pa.; Portland and Huntingburg, Ind.; Gadsden, Ala.; and Eastover, Md. Handling facilities in the Jersey City Fashion Center were increased 62% and dock and storage areas in McKeesport Warehouse were substantially enlarged.

Major alterations at 15 locations, included conversions to A-A operation finished in #229 Philadelphia and #221 Pittsburgh, Pa.; Arlington and Roanoke, Va.; #104 Indianapolis, Ind.; Fort Worth, Tex.; Marion, O.; and Clarksburg, W. Va. There were 54 A-A stores at the year end.

Ten restaurants were renovated and 40 other locations were remodeled.

Entertainment and relaxation for the whole family—

TV's, radios, record players and tape recorders and players are part of broad lines of appliances in our Entertainment Centers. And it is so convenient to charge and then pick up that new color TV at our delivery platform.





Giant Tires

Giant T

STANDARD
SIZE
NUMBERED
FOOTBALL
HELMETS
\$2.99

OFFICIAL
FOOTBALL
UNIFORM
\$10.99

Want it?
Charge it!

Youth and fun are on the go at Murphy's—

In our Sporting Goods Centers



Continually expanding food services prove attractive to shoppers of all ages



Typical Key Management Team meets frequently to coordinate all phases of operation in store

Forty new locations are under construction, lease or option. Two of these locations will be Murphy's Marts, 16 will be A-A units and 31 will include restaurants. Presently, 23 of the 40 new locations are scheduled for opening in 1970. Opening dates, of course, are subject to ability of developers to finance and construct these projects. We aim to complete an additional 20 enlargements and 20 renovations, plus numerous other minor remodeling projects.

An additional 40,000 square feet will be added to the present 60,000 square feet of area at the Jersey City Fashion Center to expand facilities for delivery of fashion wearables to all of our stores.

Enlargement of the Monroe, La. Warehouse is planned to further improve service to stores in the South and Southwest.

Restaurants

Food service for customers is an expanding and productive part of our operation in new and remodeled stores, including the new Murphy's Marts. Store designs and local needs determine if service includes one or more of snack bar, counter, cafeteria or table arrangement.

Personnel

Our reliable co-workers are our most important asset in the serving of customers. Therefore, the result of training and guidance programs for our people determines the quality of our service. Continued emphasis on such programs qualifies employees in all phases of our operation.

Development in recent years of Key Management Teams has enabled us to improve administrative direction in A-A and other large stores. Experience in these units now gives us a depth of qualified personnel to operate the new Murphy's Marts and other new and enlarged locations. During the year, there were 178 promotions to and within the ranks of store management. An additional 89 store managers and assistants were upgraded to more responsible positions.

An important part of management development is participation in business and civic affairs in each of our communities, where leadership and assistance are provided for industrial development, educational projects and programs to give equal opportunity and dignity to all citizens.

Consolidated Balance Sheet

December 31, 1969 and 1968

Assets

	1969	1968
Current assets:		
Cash	\$ 17 686 602	\$ 12 147 300
Short-term investments, at cost which approximates market. . .	12 810 938	2 492 031
Trade receivables, less allowance	2 593 405	2 309 962
Merchandise inventories, at the lower of cost (principally retail method) or market	69 868 611	68 117 377
<i>Total current assets</i>	<u>102 959 556</u>	<u>85 066 670</u>
Property and equipment, at cost (Note 1):		
Buildings	16 994 991	13 546 690
Improvements to leased properties	36 058 992	34 460 778
Fixtures and equipment	58 322 413	64 000 852
	<u>111 376 396</u>	<u>112 008 320</u>
Less accumulated depreciation and amortization	55 906 057	63 687 213
	<u>55 470 339</u>	<u>48 321 107</u>
Land	1 976 724	1 876 724
<i>Total property and equipment</i>	<u>57 447 063</u>	<u>50 197 831</u>
Excess of cost of investment in subsidiaries over book value of assets acquired	6 929 045	6 929 045
Prepaid expenses	1 251 827	1 773 212
Other assets	4 598 957	1 854 332
	<u>\$173 186 448</u>	<u>\$145 821 090</u>

Notes to Financial Statements**1. Long-Term Debt:**

Long-term debt is comprised of the following:

A. Notes Payable to Banks:

On November 5, 1969, the Company borrowed \$30,000,000 due November 1, 1972. The notes bear interest at $\frac{1}{4}$ of 1 percent above the prime rate in effect on the first day of each quarterly period (8 $\frac{3}{4}$ percent at December 31, 1969) until November 1, 1972. The loan agreement provides that such borrowings are repayable in advance at the option of the Company, and requires, among other things, that working capital be at least 100 percent of the total unpaid principal balance of such borrowing and that total liabilities of the Company and its subsidiaries

shall not exceed 150 percent of tangible net worth.

B. Mortgage Payable:

A mortgage of \$2,422,340 on land and buildings bears interest at 6 $\frac{3}{4}$ percent and is due in equal monthly installments of \$20,813, including interest, to April 1977 when the balance of approximately \$1,750,000 is due.

2. Qualified Stock Option Plan:

Under the Qualified Stock Option Plan approved by shareholders, 85,000 shares of common stock of the Company are reserved for issuance to officers and management employees. The plan provides that the option price shall not be less than 100 percent of the fair market value of such shares on the date of grant. Such options are not exercisable during the first year following their grant. Thereafter, provided employment continues, generally one-fourth



Liabilities

	1969	1968
Current liabilities:		
Notes payable	\$ 5 216 200	\$ 14 243 900
Accounts payable	13 997 210	11 477 617
Accrued expenses	9 013 484	8 176 512
Federal income taxes	2 794 012	3 983 730
<i>Total current liabilities</i>	<u>31 020 906</u>	<u>37 881 759</u>
Long-term debt (Note 1)	32 422 340	—
Deferred federal income taxes	7 607 000	6 598 000
<i>Total liabilities</i>	<u>71 050 246</u>	<u>44 479 759</u>

Shareholders' Equity

Preferred stock, \$50 par value:		
Authorized: 3,000,000 shares		
Common stock, \$1 par value (Note 2):		
Authorized: 12,000,000 shares		
Issued: 4,259,000 shares	4 259 000	4 259 000
Capital in excess of par value	9 338 391	9 338 391
Earnings retained in the business	94 675 149	91 227 849
	<u>108 272 540</u>	<u>104 825 240</u>
Less common shares in treasury, at cost: 1969, 237,000 shares; 1968, 147,000 shares	6 136 338	3 483 909
<i>Total shareholders' equity</i>	<u>102 136 202</u>	<u>101 341 331</u>
	<u>\$173 186 448</u>	<u>\$145 821 090</u>

of the options granted become exercisable annually. Options expire five years after date of grant.

Options for 68,501 shares were outstanding at December 31, 1969 at an exercise price of \$28.9375 per share. No options were granted, canceled or exercised during the year.

3. Depreciation Policy:

Depreciation and amortization of property and equipment are computed using the straight-line method for financial reporting purposes and the straight-line and accelerated methods for tax purposes. Federal income taxes computed based on book income give recognition to deferred taxes which will become payable in future years when book depreciation exceeds tax depreciation.

During 1969 the Company retired approximately \$12,169,000 of fully depreciated assets.

4. Employees' Retirement Plan:

The cost for current service of the Company's retirement plan established in 1944, which covers all employees as they meet the requirements of age and length of service, is being funded annually. There is no unfunded prior service cost, and the amount of assets in the fund at December 31, 1969 exceeds the actuarial computed value of vested benefits at that date.

5. Lease Commitments:

Minimum annual rentals on property leases in effect at December 31, 1969 (including estimated payments for property taxes and insurance but excluding rentals from subtenants) aggregated approximately \$11,490,000, the major portion of which was for premises under leases extending up to 20 years.

Statement of Consolidated Earnings and Earnings Retained in the Business

For the years ended December 31, 1969 and 1968

	<u>1969</u>	<u>1968</u>
Income:		
Sales	\$379 157 310	\$355 699 080
Other	<u>378 116</u>	<u>46 367</u>
	379 535 426	355 745 447
Costs and expenses:		
Cost of goods sold, including occupancy costs	264 111 598	246 357 002
Selling, general and administrative expenses	84 613 232	81 253 890
Taxes, other than federal income taxes	6 533 519	5 902 654
Provisions for depreciation and amortization (Note 3)	5 030 582	4 692 244
Employees' Retirement Plan (Note 4)	690 000	420 000
Interest	<u>1 841 795</u>	<u>959 249</u>
	362 820 726	339 585 039
<i>Earnings before federal income taxes</i>	<u>16 714 700</u>	<u>16 160 408</u>
Provision for federal income taxes:		
Current	7 396 000	8 002 000
Deferred	<u>1 009 000</u>	<u>113 000</u>
	8 405 000	8 115 000
<i>Net earnings</i>	8 309 700	8 045 408
Earnings retained in the business at beginning of year	91 227 849	88 116 841
	99 537 549	96 162 249
Cash dividends, \$1.20 per share	4 862 400	4 934 400
<i>Earnings retained in the business at end of year</i>	<u>\$ 94 675 149</u>	<u>\$ 91 227 849</u>
Net earnings per share based on average number outstanding	<u>\$2.05</u>	<u>\$1.96</u>

*The accompanying notes are an integral part of the financial statements.***Auditors' Certificate**

To the Shareholders of G. C. Murphy Company:

We have examined the consolidated balance sheet of G. C. Murphy Company and subsidiaries as of December 31, 1969 and the related statement of earnings and earnings retained in the business and the statement of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the company for the year 1968.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of G. C. Murphy Company and subsidiaries at December 31, 1969 and 1968, and the consolidated results of their operations and the consolidated source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Pittsburgh, Pa.
February 13, 1970

Lybrand, Ross Bros & Montgomery
Certified Public Accountants



Seven-Year Financial Summary

	1969	1968	1967	1966	1965	1964	1963
Number of stores..	517	512	512	508	514	512	510
Sales	\$379 157 310	\$355 699 080	\$332 306 629	\$315 033 701	\$298 536 281	\$281 434 874	\$267 836 618
Earnings before federal taxes ...	\$16 714 700	\$16 160 408	\$14 661 438	\$16 211 131	\$14 447 276	\$14 099 440	\$12 149 321
Federal income tax	\$8 405 000	\$8 115 000	\$6 735 000	\$7 548 000	\$6 625 000	\$6 670 000	\$6 236 000
Net earnings	\$8 309 700	\$8 045 408	\$7 926 438	\$8 663 131	\$7 822 276	\$7 429 440	\$5 913 321
% of sales	2.19%	2.26%	2.39%	2.75%	2.62%	2.64%	2.21%
Per share	\$2.05	\$1.96	\$1.93	\$2.10	\$1.87	\$1.77	\$1.41
Cash flow per share	\$3.54	\$3.13	\$3.06	\$3.22	\$3.05	\$3.07	\$2.86
Average number of shares of Common Stock outstanding	4 048 586	4 112 000	4 112 000	4 128 230	4 190 000	4 190 000	4 190 000
Dividends per share	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20
Merchandise inventories	\$69 868 611	\$68 117 377	\$61 996 391	\$54 326 227	\$53 844 887	\$50 521 744	\$49 474 448
% of sales	18.43%	19.15%	18.66%	17.24%	18.04%	17.95%	18.47%
Working capital ..	\$71 938 650	\$47 184 911	\$48 363 411	\$46 297 127	\$43 547 419	\$41 032 377	\$37 901 134
Net additions to property and equipment	\$12 306 917	\$8 170 310	\$5 486 469	\$3 861 639	\$4 150 604	\$2 651 449	\$2 770 516
Depreciation and amortization ...	\$5 030 582	\$4 692 244	\$4 454 308	\$4 309 235	\$4 350 974	\$4 178 877	\$4 332 149
Long-term debt ...	\$32 422 340	—	—	—	\$500 000	\$2 028 574	\$3 557 143
Common Shareholders' equity..	\$102 136 202	\$101 341 331	\$98 230 323	\$95 238 285	\$93 312 613	\$90 518 337	\$88 116 897
Book value per share Common Stock	\$25.39	\$24.65	\$23.89	\$23.16	\$22.27	\$21.60	\$21.03
Ratio of net earnings to invested capital...	8.1%	7.9%	8.1%	9.1%	8.4%	8.2%	6.7%
Square feet selling area	7 127 964	6 851 112	6 670 582	6 598 054	6 619 948	6 500 725	6 358 979
Sales per square foot selling area.	\$55.10	\$52.87	\$50.08	\$47.53	\$45.28	\$43.46	\$42.25

Executive Offices: 531 Fifth Avenue, McKeesport, Pennsylvania 15132 (Telephone 412-664-4441)

Transfer Agent: Bankers Trust Company, 16 Wall Street, New York, New York 10015

Registrar: The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, New York 10015

General Counsel: Griggs, Moreland, Blair & Anderson, Oliver Building, Pittsburgh, Pennsylvania 15222

Auditors: Lybrand, Ross Bros. & Montgomery, Oliver Building, Pittsburgh, Pennsylvania 15222

Store Locations—517 stores in 23 states and the District of Columbia

All locations are Murphy stores unless otherwise indicated

ALABAMA (8)

Decatur
Gadsden
Huntsville (2)
Jasper
*Mobile (2)
Tuscaloosa

*ARKANSAS (7)

Camden
Dermott
Hope (2)
Lake Village
McGehee
Warren

CONNECTICUT (2)

Naugatuck
Torrington

DISTRICT OF COLUMBIA (2)

Washington (2)

FLORIDA (13)

Daytona Beach
Gainesville
Hialeah
Holly Hill
Jacksonville
Miami
Orlando
Panama City
Pensacola (2)
St. Petersburg
West Hollywood
West Palm Beach

GEORGIA (5)

Atlanta (2)
Moultrie
Rome
Tifton

ILLINOIS (10)

Anna
Berwyn
Effingham
Fairfield
Flora
Mt. Prospect
Mt. Vernon
Pontiac
Streator
Vandalia

INDIANA (41)

Aurora
Bluffton
Brazil
Clinton
Columbus
Crawfordsville
Decatur
Elwood
Fort Wayne (2)
Frankfort
Franklin
Goshen
Greencastle
Greensburg
Hartford City
Huntingburg
Indianapolis (7)
Kendallville
Kokomo

INDIANA

Linton
Madison
New Castle
Noblesville
North Manchester
Peru
Plymouth
Portland
Princeton
Rockville
Salem
Seymour
Shelbyville
Washington
Winchester

KENTUCKY (6)

Ashland (2)
Louisville
Maysville
Paintsville
Pikeville

LOUISIANA (64)

*Abbeville
*Alexandria (2)
*Amite
*Arabi
*Arcadia
*Bastrop (2)
*Baton Rouge (3)
*Bogalusa (2)
*Bunkie
*Covington
*Crowley
*DeRidder
*Franklin
*Hammond
*Hodge
*Homer (2)
*Houma (2)
*Jennings
*Jonesboro
*Lafayette (3)
*Leesville
*Mansfield
*Many
*Metairie (3)
*Minden
*Monroe (2)
*Morgan City
*Natchitoches (2)
*New Iberia (2)
*New Orleans (4)
*Oakdale
*Pineville
*Plaquemine
*Rayville
*Ruston (2)
*Shreveport
*Sulphur
*Tallulah
*Thibodaux (2)
*West Monroe (2)
*West Monroe
*Westwego
*Winnfield
*Winnsboro

MARYLAND (29)

Annapolis
Baltimore (12)
Bel Air
Cumberland
Dundalk
Eastover
Frostburg

MARYLAND

Glen Burnie (2)
Hancock
Hillcrest Heights
Hyattsville
Landover
Oxon Hill
Rockville (2)
Silver Spring
Westminster

MICHIGAN (9)

Albion
Charlotte
Coldwater
Hillsdale
Marshall
Okemos
Owosso
St. Joseph
South Haven

MINNESOTA (2)

Minneapolis
St. Paul

*MISSISSIPPI (29)

Belzoni
Biloxi (2)
Cleveland
Forest
Greenville (2)
Grenada
Gulfport (2)
Hattiesburg
Hazlehurst
Indianola
Jackson (4)
Kosciusko
Laurel
McComb
New Albany
Oxford
Pascagoula
Picayune
Starkville (2)
Vicksburg
West Point

NEW JERSEY (5)

Ocean City
Trenton (2)
Washington
Wildwood

NEW YORK (10)

Buffalo
Dansville
Fredonia
Greece
Jamestown
Lancaster
LeRoy
Medina
North Tonawanda
Syracuse

NORTH CAROLINA (1)

Hickory

OHIO (45)

Alliance
Barnesville
Bellaire
Bellefontaine

OHIO

Bowling Green
Bryan
Bucyrus
Cincinnati
Circleville
Cleveland
Columbus
Dayton (2)
Defiance
Delphos
Franklin
Galion
Gallipolis (2)
Greenville
Hillsboro
Jackson
Lebanon
Logan
London
Marion (2)
Middletown
Napoleon
North Ridgeville
Piqua
St. Marys
Salem
Sidney
Toledo
Toronto
Troy
Urbana
Van Wert (2)
Wapakoneta
Washington
Court House
Wilmington
Youngstown (2)

PENNSYLVANIA (122)

Alliquippa (2)
Altoona
Ambridge
Bangor
Barnesboro
Beaver
Beaver Falls
Bedford
Bellefonte
Belle Vernon
Bellevue
Bethlehem
Blairsville
Brentwood
Brentwood
(Whitehall)
Brookville
Brownsville
Burgettstown
Butler
California
Carlisle
Carnegie
Castle Shannon
Charleroi
Clairton
Clarion
Clearfield
Connellsville
Corry
Derry
Donora
Dormont
Elizabeth
Ellwood City
Erie (2)
Etna
Everett
Farrell

PENNSYLVANIA

Ford City
Franklin
Gettysburg
Greensburg (2)
Greenville
Grove City
Hanover
Harrisburg
Havertown
Hollidaysburg
Huntingdon
Indiana (2)
Irwin
Jeannette
Johnsonburg
Kittanning
Latrobe
Lehigh
Lemoyne
Lewistown
Ligonier
McConnellsburg
McDonald
McKeesport (2)
McKees Rocks (2)
Meadville
Mechanicsburg
Mercer
Mercersburg
Meyersdale
Midland
Monessen
Monroeville
Mount Joy
Mt. Lebanon
Mt. Oliver
Mount Union
Natrona Heights
Nazareth
New Bethlehem
New Castle
New Kensington
North East
Oakmont
Philadelphia (2)
Pittsburgh (6)
Punxsutawney
Red Lion
Ridgway
Rochester
St. Marys
Sewickley
Sharon
Shippensburg
State College
Swissvale
Tarentum
Titusville
Turtle Creek
Uniontown
Vandergrift
Warren
Washington (2)
Waynesburg
West Newton
Wilkinsburg (2)
Willow Grove
York (3)

TENNESSEE (2)

Chattanooga
Nashville

TEXAS (55)

Abilene
#Alice (2)
*Angleton

TEXAS

Austin
*Beaumont (3)
#Brownsville
*Conroe
xCorpus Christi (2)
*Dallas (3)
#Del Rio
#Eagle Pass
*Edinburg
#Fairfarms
Fort Worth
#Harlingen (2)
*Houston (3)
*Jasper
#Kingsville
*Kirbyville
xxLevelland
xxLubbock
#McAllen
Odessa
xxOdessa (2)
*Paris
#Raymondville
*Richardson
San Antonio
xSan Antonio (8)
†San Antonio
#San Benito
#Silsbee (2)
#Sinton
#Temple (2)
Texarkana
#Weslaco

VIRGINIA (16)

Alexandria (2)
Annandale
Arlington
Culpeper
Danville
Hampton (2)

VIRGINIA

Lynchburg
Manassas
Richmond (4)
Roanoke
Woodbridge

WEST VIRGINIA (33)

Beckley (2)
Buckhannon
Clarksburg
East Rainelle
Elkins
Fairmont
Hinton
Keyser
Logan
Montgomery
Morgantown
Moundsville
Mullens
Northfork
Oak Hill
Parkersburg
Phillippi
Piedmont
Pt. Pleasant
Princeton
Richwood
Shinnston
Sistersville
South Charleston
Spencer
Weirton (2)
Welch
Wellburg
Weston
Wheeling
Williamson

WISCONSIN (1)

Milwaukee

40 NEW STORES PLANNED

Arkansas	1
Florida	1
Illinois	1
Indiana	3
Kentucky	1
Louisiana	5
Maryland	1
Minnesota	1
Mississippi	2
New York	2
North Carolina	3
Ohio	5
Pennsylvania	6
Tennessee	1
Texas	1
Virginia	3
West Virginia	1
Wisconsin	2
Total	40

* Morgan & Lindsey Stores

Terry Farris Stores

xx Cobbs Stores

x Bruners Stores

† Bargain World



McKeesport, Pa. Warehouse



Monroe, La. Warehouse



Jersey City, N. J. Fashion Center

These centers expedite distribution of merchandise to stores. The Fashion Center, through which high-style fashionable wearables are processed, and the Monroe Warehouse will be enlarged to expand services.

Wholly-Owned Subsidiaries

MACK REALTY COMPANY Real Estate Holding Company

Board of Directors

EARL F. McCLUNE	WILLIAM S. THOMSON	A. RALPH BARLOW
CARL F. SCHATZ	KENNETH T. PAXTON	SIDDONS S. SERVICE
JUDSON M. ELLIS, JR.	EDGAR L. PAXTON	

Officers

EARL F. McCLUNE <i>Chairman of the Board and President</i>	WILLIAM S. THOMSON <i>Secretary</i>
CARL F. SCHATZ <i>Vice President</i>	FRANK G. CRISPEN <i>Assistant Treasurer and Assistant Secretary</i>
JUDSON M. ELLIS, JR. <i>Vice President</i>	ROBERT T. MESSNER <i>Assistant Secretary</i>
S. WARNE ROBINSON <i>Treasurer</i>	

MURPHY DEVELOPMENT CORPORATION

Real Estate Holding Company

MORGAN & LINDSEY, INC. Variety Stores

Board of Directors

KENNETH T. PAXTON	THOMAS N. GRIGGS	THOMAS J. MANKIN
EDGAR L. PAXTON	ELZIE E. LATHAM	CYRIL V. LINDSEY

Officers

KENNETH T. PAXTON <i>Chairman of the Board</i>	S. WARNE ROBINSON <i>Treasurer</i>
EDGAR L. PAXTON <i>Vice Chairman of the Board</i>	WILLIAM S. THOMSON <i>Secretary</i>
ELZIE E. LATHAM <i>President</i>	FRANK G. CRISPEN <i>Assistant Treasurer and Assistant Secretary</i>
CARL F. SCHATZ <i>Vice President</i>	THOMAS J. MANKIN <i>Assistant Secretary</i>
SIDDONS S. SERVICE <i>Vice President</i>	ROBERT T. MESSNER <i>Assistant Secretary</i>

TERRY FARRIS STORES, INC.

Operating stores in names of Terry Farris, Bruners, Cobbs and Bargain World



A few of Murphy's 14 Private Brand Names assuring customers of pre-tested, quality merchandise

G.C. MURPHY COMPANY
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